

Effectiveness of Fiscal Stimulus and Tax Reform in Dealing with Inflation and Unemployment in Argentina in 2018-2023

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ABSTRACT

This study evaluates the effectiveness of fiscal stimulus and tax reform in addressing inflation and unemployment in Argentina from 2018-2023. In the context of Keynesian theory, which emphasizes the important role of fiscal policy in managing aggregate demand and stabilizing the economy, this study aims to examine the extent to which the Argentine government's measures have succeeded in achieving these macroeconomic goals. Using qualitative and quantitative analysis approaches. The data include macroeconomic data, government reports, case studies, and related literature. The fiscal stimulus implemented positively impacts reducing unemployment in the short term through increased public spending and infrastructure investment, which creates new jobs. However, this impact is often offset by increasing budget deficits and inflationary pressures due to increased aggregate demand. Tax reform aims to improve the efficiency and fairness of the tax system by reducing some types of taxes and simplifying tax rules, which helps encourage investment and economic growth. Referring to Keynesian theory, the study results show that fiscal stimulus has succeeded in increasing aggregate demand, reducing unemployment in the short term, and triggering inflation. Meanwhile, tax reform contributes to economic growth but is less effective in controlling inflation. This shows the need for a more balanced and coordinated policy to address inflation without hampering economic growth and job creation. Fiscal policy and tax reform must be designed more comprehensively by taking into account the structural factors that affect inflation to achieve optimal results.

Keywords: *Argentina, Fiscal Policy, Taxes, Keynesian, Inflation*

INTRODUCTION

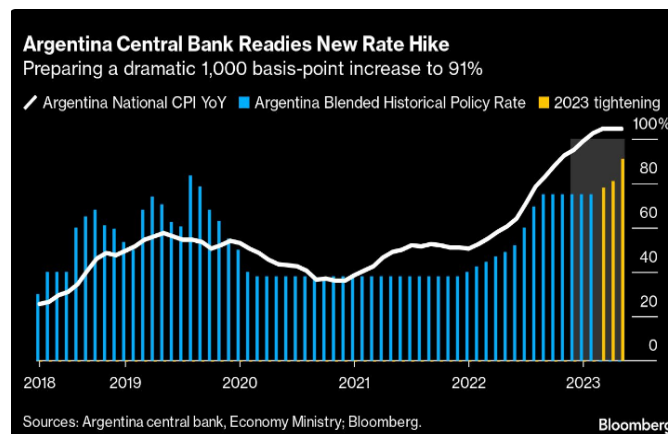
Argentina has tried to open up the economy by reducing protection and attracting foreign investment. However, this policy has also often been controversial and has not always been successful. The Argentine government has often implemented price control policies to suppress inflation (Mochtar 2016). However, this policy is often ineffective in the long term and can even lead to shortages of goods. Peso devaluation is often carried out to increase export competitiveness and reduce the balance of payments deficit. However, this policy can also trigger inflation and make imported goods more expensive. This prosperity was driven by abundant agricultural exports and a growing manufacturing industry. However, since the mid-20th century, Argentina has experienced significant economic ups and downs. Some of the factors that have influenced Argentina's economic conditions include: Argentina has experienced frequent changes in political regimes, often accompanied by drastic changes in economic policy (Krismatono 2016).

METHODS

This study uses a qualitative method that is descriptive analysis using primary and secondary data as basic and main materials. Primary and secondary data collected are related to the case study of inflation and unemployment in Argentina with the implementation of fiscal and tax policies. The technique in the study uses a qualitative model that uses data analysis techniques with: data reduction, data presentation, and drawing conclusions and verification. Testing the accuracy of the data is done by data triangulation. This study uses Keynesian theory which emphasizes the important role of government in managing economic activities through fiscal and monetary policies

RESULT AND DISCUSSION

Argentine President Javier Milei has attempted to address complex economic problems by proposing ambitious economic reforms. However, these plans have drawn mixed reactions from the public. On the one hand, the government argues that this is necessary to create a favorable investment climate and reduce the budget deficit. On the other hand, protesters worry that these policies will burden certain communities and hinder long-term economic growth. President Milei’s controversial economic reform plans have sparked protests in Argentina (Firdaus 2016). The government needs to consider options such as a system where multiple currencies compete or even the adoption of the US dollar. Credible fiscal reforms and strong political and legal support are essential for long-term success. With these steps, Argentina is working to stabilize its economy and promote long-term growth. Although major challenges remain, the right strategy can help the country overcome recurring economic difficulties and unlock its economic potential.



According to Indec data, Argentina's inflation rate in December 2019 rose to 3.7%, slightly below economists' estimates. However, this figure is still very high and is expected to fall to 42.2% in 2020. The economic crisis that has hit Argentina since 2018 has caused the peso to weaken, poverty to increase, and poverty to swell. This condition has led Fernandez to the presidency (Krismatono 2016). However, he now faces a tough

challenge to overcome inflation and restructure the country's debt which has reached US\$100 billion.

CONCLUSION

The fiscal stimulus implemented has a positive impact in reducing unemployment in the short term through increased public spending and infrastructure investment, which creates new jobs. However, this impact is often offset by increasing budget deficits and inflationary pressures due to increased aggregate demand. Tax reform aims to improve the efficiency and fairness of the tax system by reducing certain types of taxes and simplifying tax rules, which helps to stimulate investment and economic growth.

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